Web 2.0 Business Models

CEO Teemu Arina / Dicole Oy

03.02.2008

Photo: Tracy O

1.
What is Web 2.0?

Photo: Don J. McCrady

"The central principle behind the success of the giants born in the Web 1.0 era who have survived to lead the Web 2.0 era appears to be this, that they have embraced the power of the web to harness collective intelligence"

- Tim O'Reilly, 2006

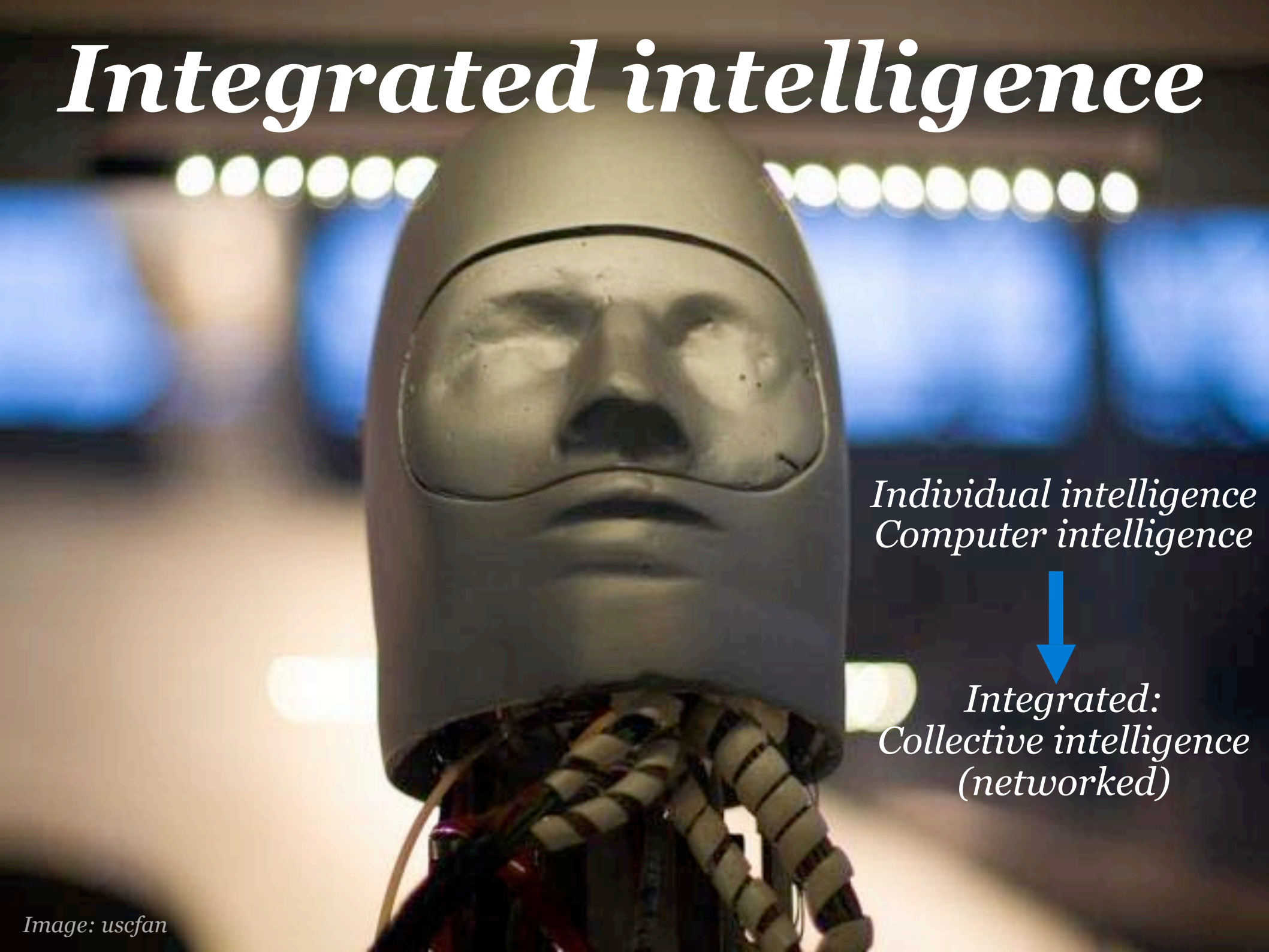
"The Semantic Web is not a separate Web but an extension of the current one, in which information is given well-defined meaning, better enabling computers and people to work in cooperation"

- Tim Berners-Lee, 2001

Both are Ecosystems

Semantic Web: interaction between machines
Social Web: conversations between people

Integrated intelligence

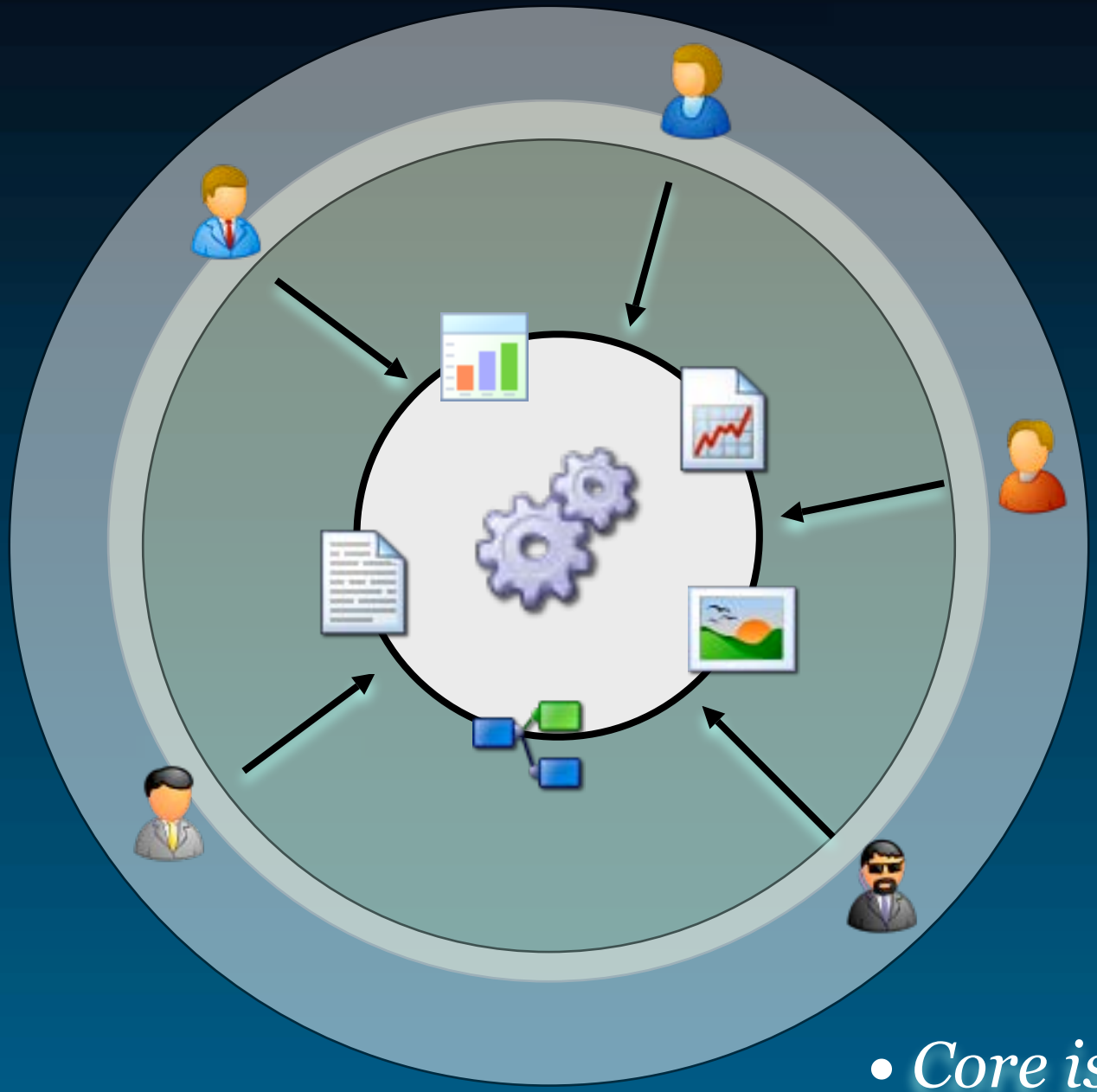


Individual intelligence
Computer intelligence

Integrated:
Collective intelligence
(networked)

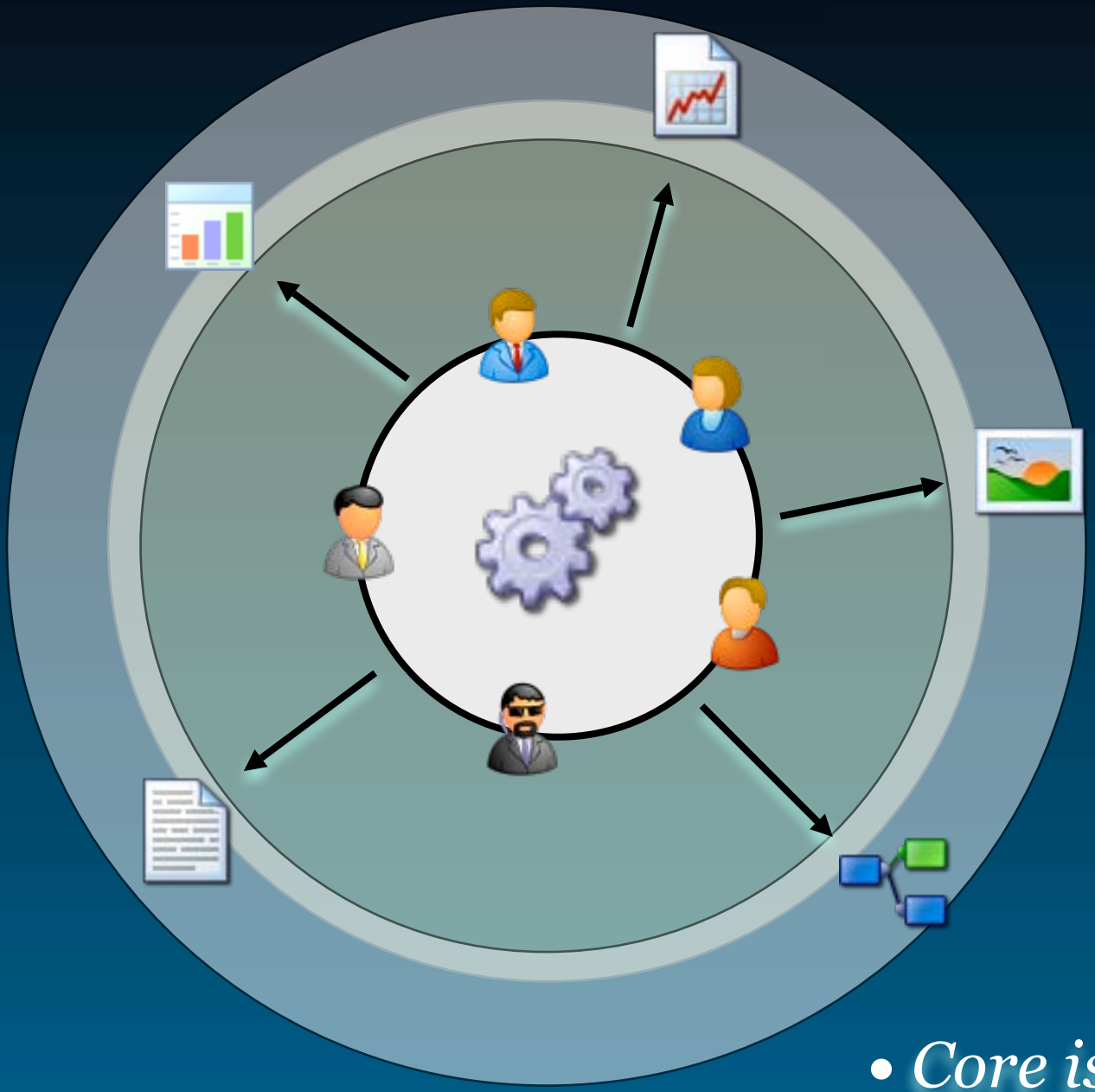
Image: uscfan

Information Technology



- *Core is information*

Interaction Technology



- *Core is interaction*

Ref: Esko Kilpi (2006)

Web 2.0

zotero
gather
Google
WordPress
photoblog
swick
Technorati
Blogger
flickr
creative commons
digg
2006 Flynn-Burhoe

Recipe for Web 2.0

Photo: ulterior epicure

Web as a platform

Photo: Christopher Chan

Software above a single device

*Photo: *One**

Data as the new Intel inside

*Photo: _fabrizio_*

Harnessing collective intellgence

Photo: Donna Cymek

Lightweight business models, e.g. SaaS

(Software as a Service)

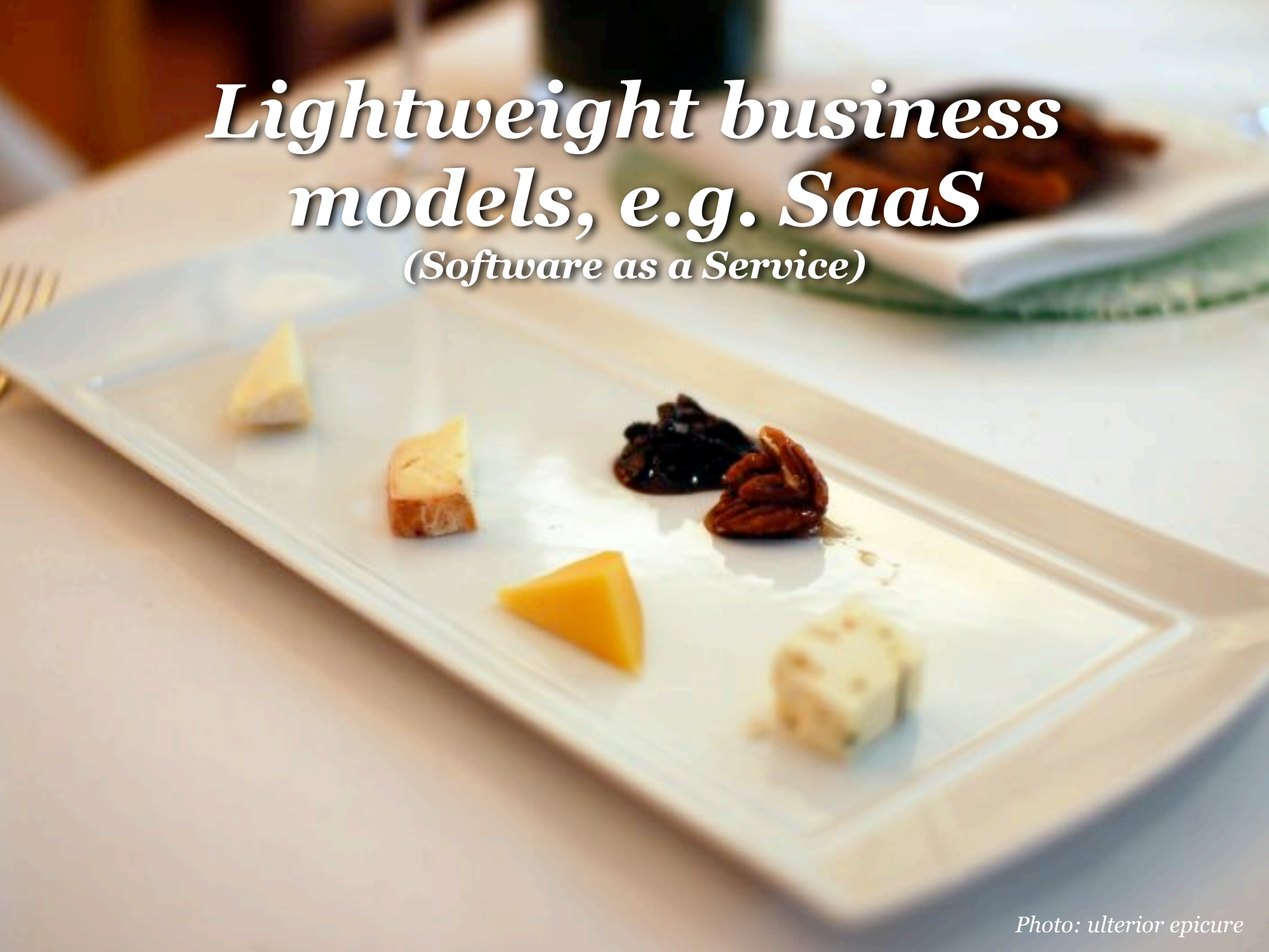
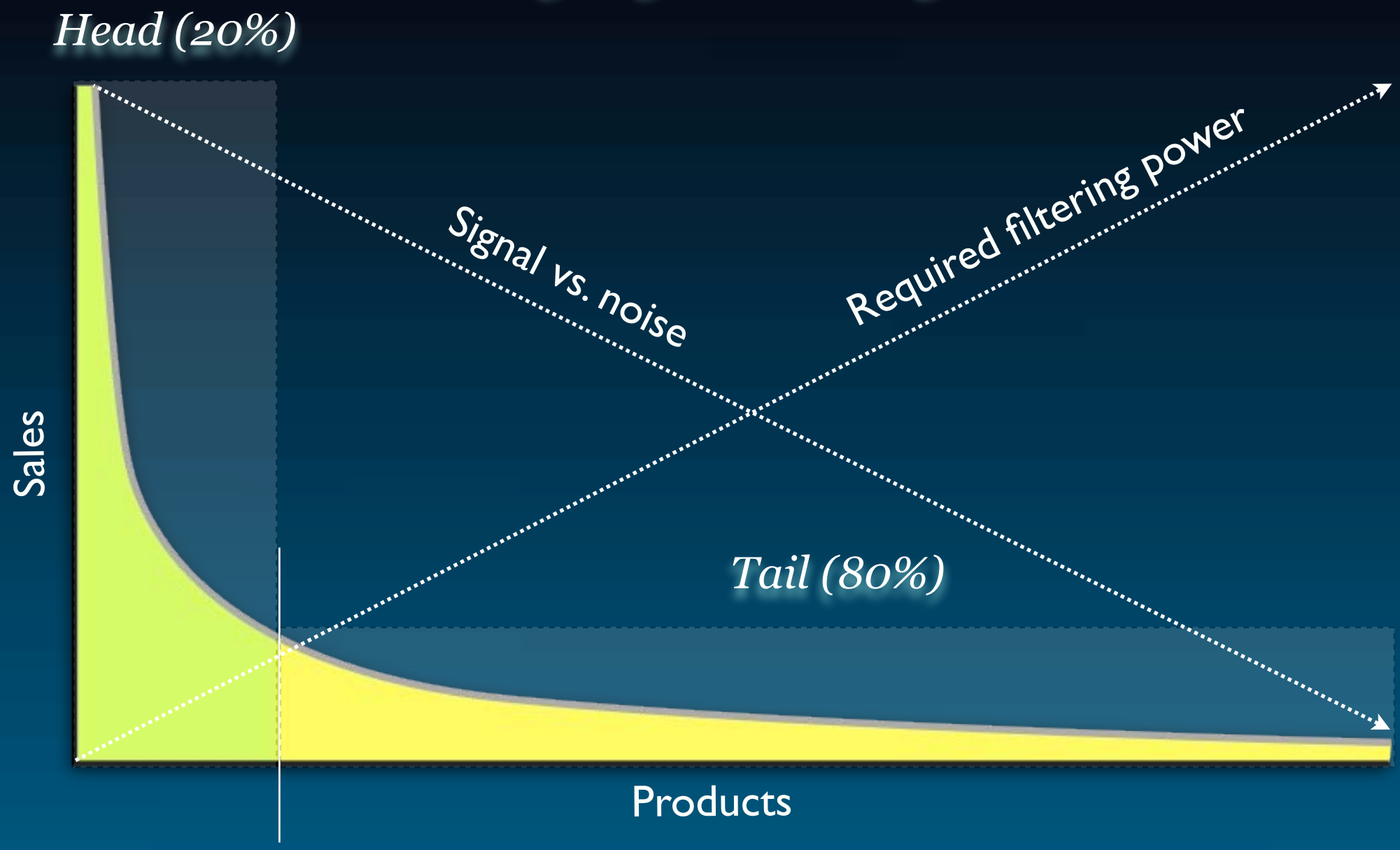


Photo: ulterior epicure

Rich Internet Applications (RIA, AJAX)

7 Apple Inc.

Leveraging the Long Tail

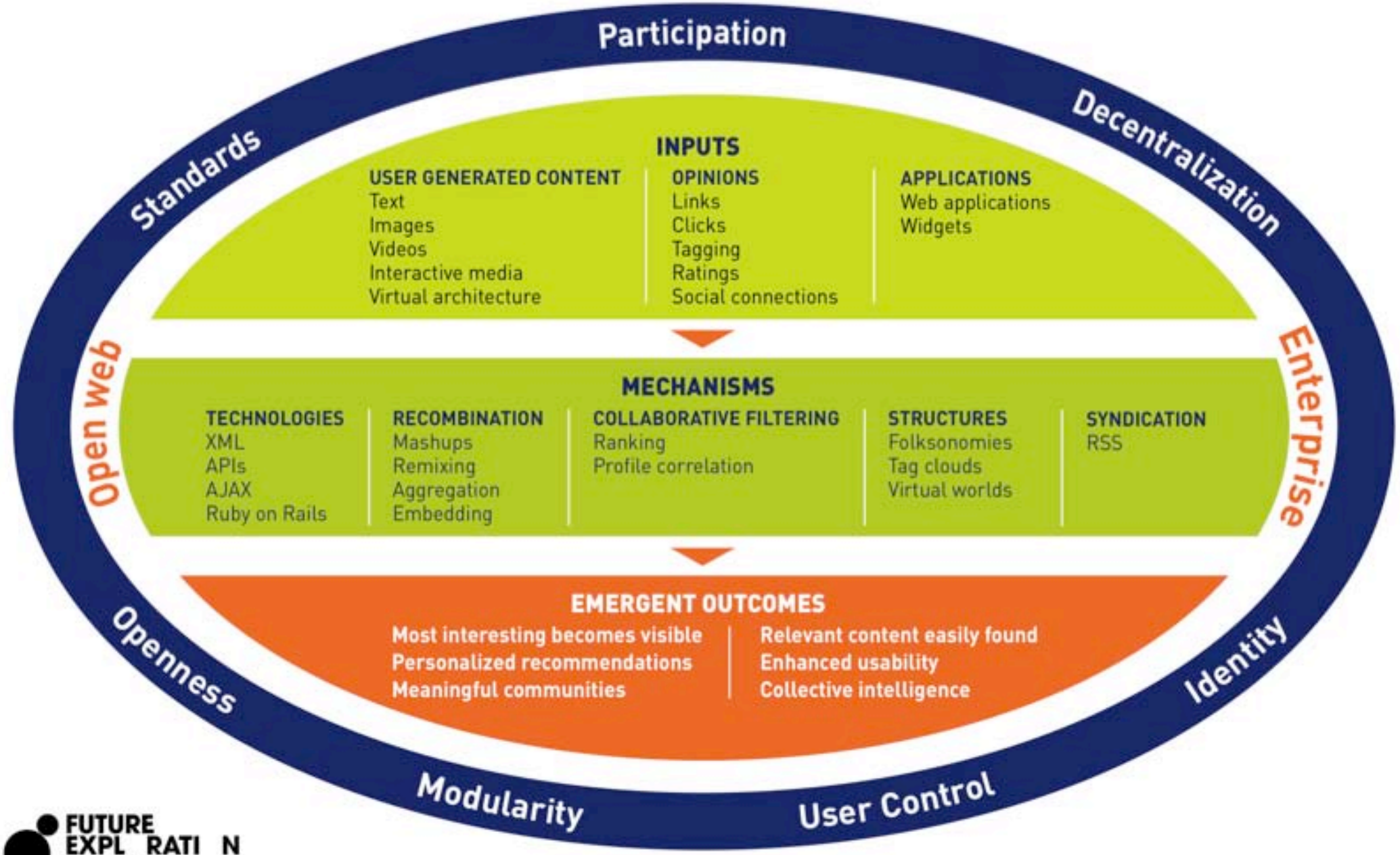


Ref: Chris Anderson

2.
What are the new business models?

Photo: Don J. McCrady

WEB 2.0 Framework



FUTURE EXPLORATION NETWORK

www.futureexploration.net

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WEB 2.0 Landscape

WEB APPLICATION

Widget/ component

Aggregation/ recombination

CONTENT SHARING

RECOMMENDATIONS/ FILTERING

Rating/ Tagging

Collaborative filtering

SOCIAL NETWORK

goowy
omni drive
FeedBurner
Jotapot
ZOHO
jumpcut
remember the milk
ODEO
Blogger
pbwiki
Basecamp
Ning

Pageflakes
WEATHER BUNK
CHICAGOCRIME.ORG
thinkfree
Bloglines
newsgator
netvibes
snap
Rojo
Zillow.com
HYPE MACHINE
trulia
PANDORA
musicovery
Findory

Platial thepeople'satlas
ourmedia
edgeio
YouTube
imeem
Linked in
flickr
LIFE
REVVER
meebo
WIKIPEDIA
twitter
FURL
myspace.com
del.icio.us social bookmarking

Quimble
Frappr!
blinx.com
reddit
movielens
PLAZES
Technorati
Opinity
VIDEOBOMB
SHOUTWIRE
Techmeme
StumbleUpon
eurekster swicki
ChaCha
digg
cluztr
last.fm
ROLLYO

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Note: Each of these Web 2.0 applications has multiple functionality – for each service the primary positioning has been used

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Typical business models

- Create a large/focused niche user community
  - Sell **API access** *(Google)*
  - Sell **services** to a large group of SMEs *(Salesforce.com)*
  - Sell **data** to partners *(Facebook? :))*
  - Get a **revenue share** from transactions *(eBay)*
  - Sell **advertisements** *(MySpace)*
  - Sell value-added **platform** *(Amazon Web Services)*
  - Freemium - Sell **premium memberships** *(Livejournal)*
  - Sell **your company** *(Youtube)*

Sell your company?

Get your feet on the ground
Photo: Fernando A.

Get 2 million €
in investment?
Photo: Big-E-Mr-G

Wake up.
Most Web 2.0 startups get to the market with 200k€ or less
Photo: Big-E-Mr-G

How?

How's it Made?

The website is made with **django** which is python powered and we use a MySQL database. The servers are Powered by debian and our web servers run a combination of APACHE and Perlbal (by DANGA INTERACTIVE). File storage is supported by S3 from amazon webservices. The desktop application is written in for Adobe's brand new AIR platform. We support microformats and we're XFN FRIENDLY. We use some of the great FAMFAMFAM Silk Icons and the isoseries icons by Sodafish as well as some beautiful background illustrations by artists at iStockphoto. Also, thanks to Peter Simonsson for his help with some icons!

Pownce
Send stuff to your friends.

Expansion strategies

1. Create an API *(Application Programming Interface)*
2. Distribute source as Open Source *(e.g. Sugar CRM)*
3. Create developer ecosystem *(e.g. Amazon)*
4. Create browser plugins *(e.g. del.icio.us)*
5. Create plugins for other platforms *(e.g. blogging)*
6. Create embeddable widgets *(e.g. Meebo)*
7. Advertise on Google AdSense *(e.g. everyone)*
8. Utilize SEO *(search engine optimization)*

Even more importantly....

Give something valuable for free

Example revenue of X

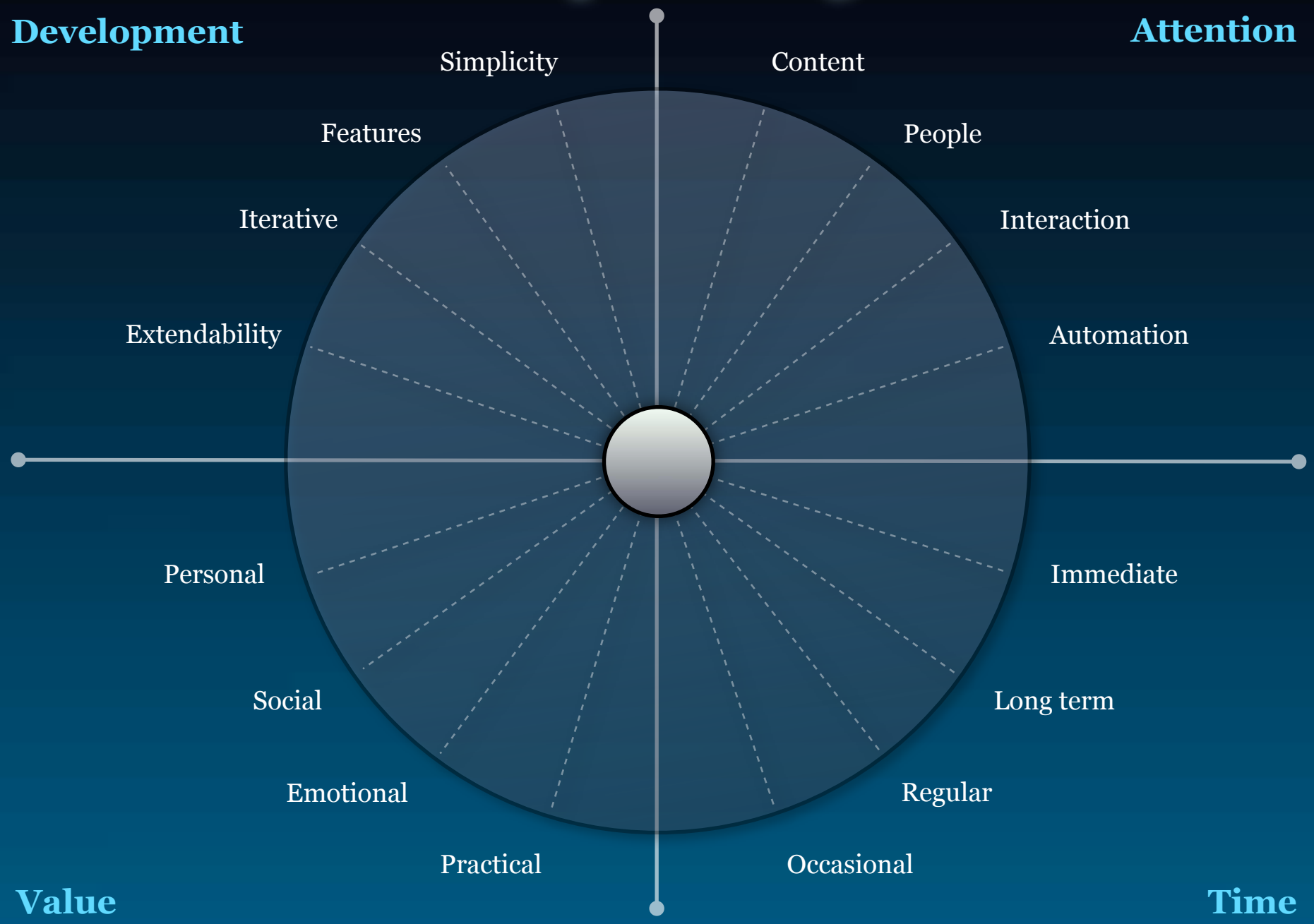
- 40% premium memberships
- 42% Google Adsense
- 10% selling one ad directly to advertiser
- 5% text link ads
- 3% referall money from amazon.com and linkshare

Minimal self funded startup costs, focus on a specific community, value created to the user base through a clever combination of services driving repeat visits and premium subscription, viral growth, advertising revenues and eventually (hopefully juicy) sponsorships.

3.
How to position yourself?

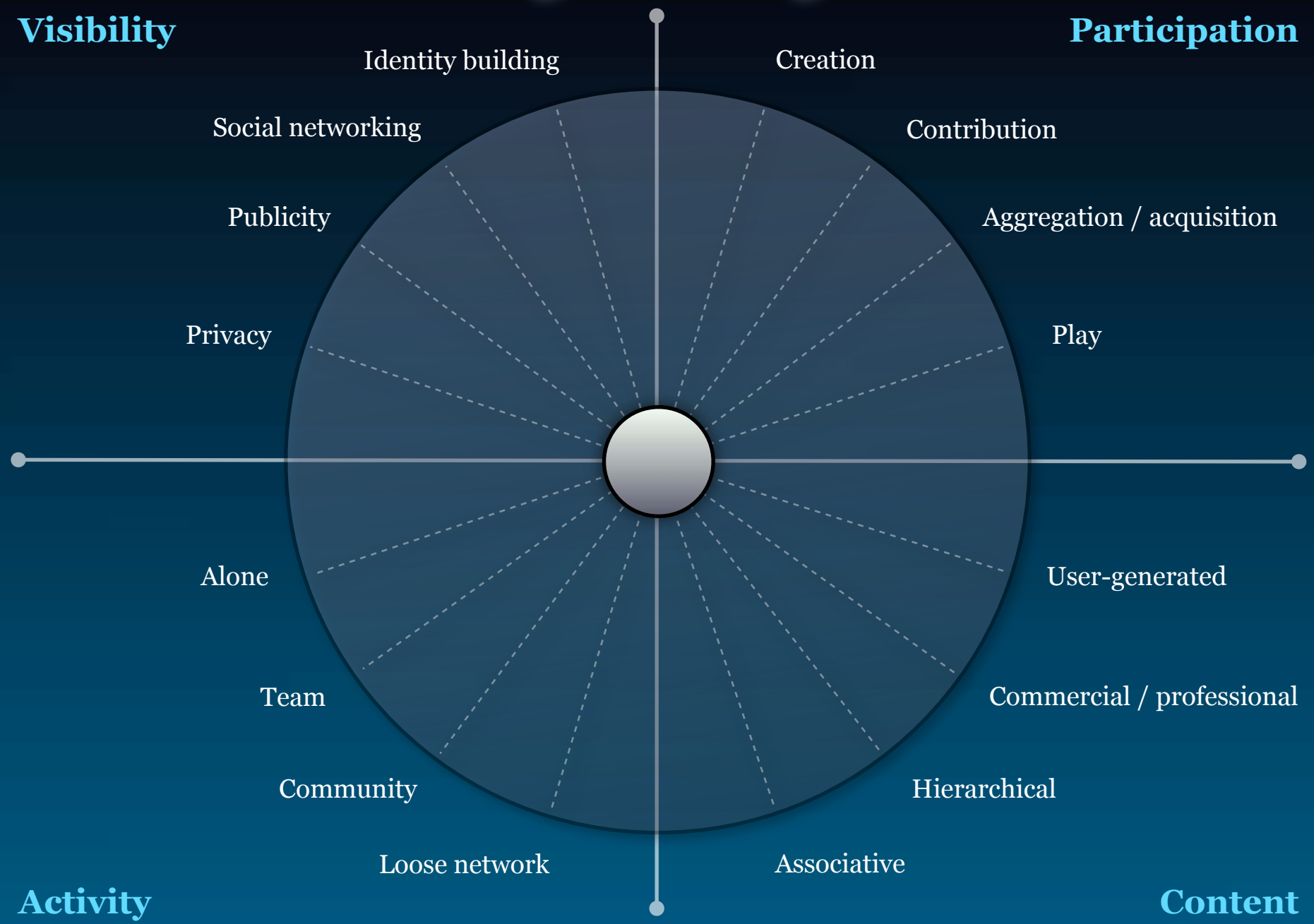
Photo: Don J. McCrady

Concept analysis



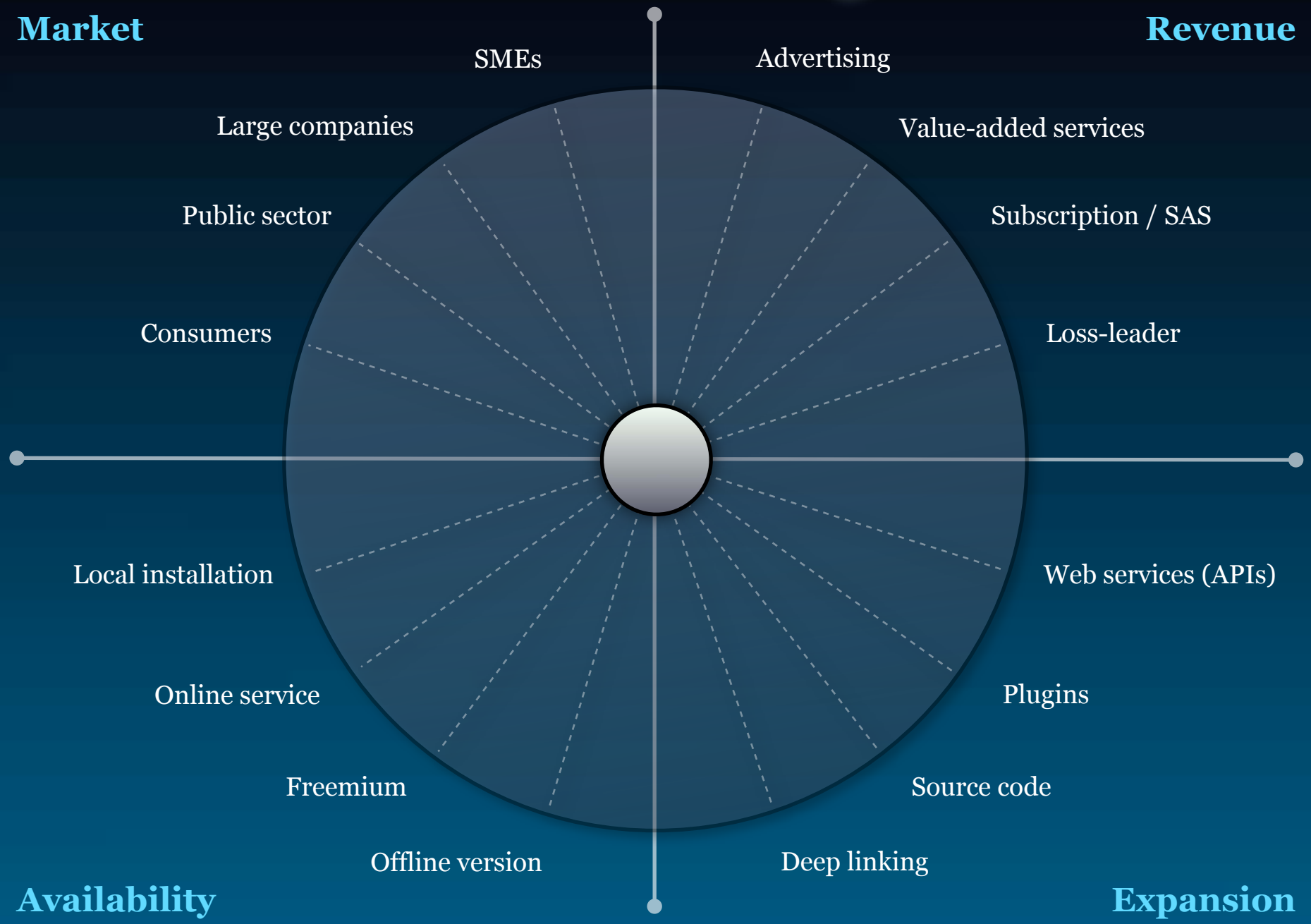
Improved on A. Bäck, S. Vainikainen

Usage analysis



Improved on A. Bäck, S. Vainikainen

Business analysis



Typical Web 2.0 problems

1. Spam and scammers
2. Inability to scale business after reaching a certain number of users
3. Crowds flee to the next cool service
4. Many sites competing on user attention
5. House-of-cards business platform

Photo: Mike9Alive

4.
How to drive users?

Photo: Don J. McCrady

	Top-down innovations	Bottom-up innovations
Source of ideas	Management and your own organization	Customers and users
Drivers	Internal resources, products, positioning	Deep understanding of customer needs
Interaction	Structured and managed	Spontaneus and non-linear
Strategy	Go to the customer	Invite customer to participate
Processes	Linear and strictly defined	Emergent and serendipic
Methods	Market research, surveys, focus groups	Communities, crowdsourcing, peer-production and social media

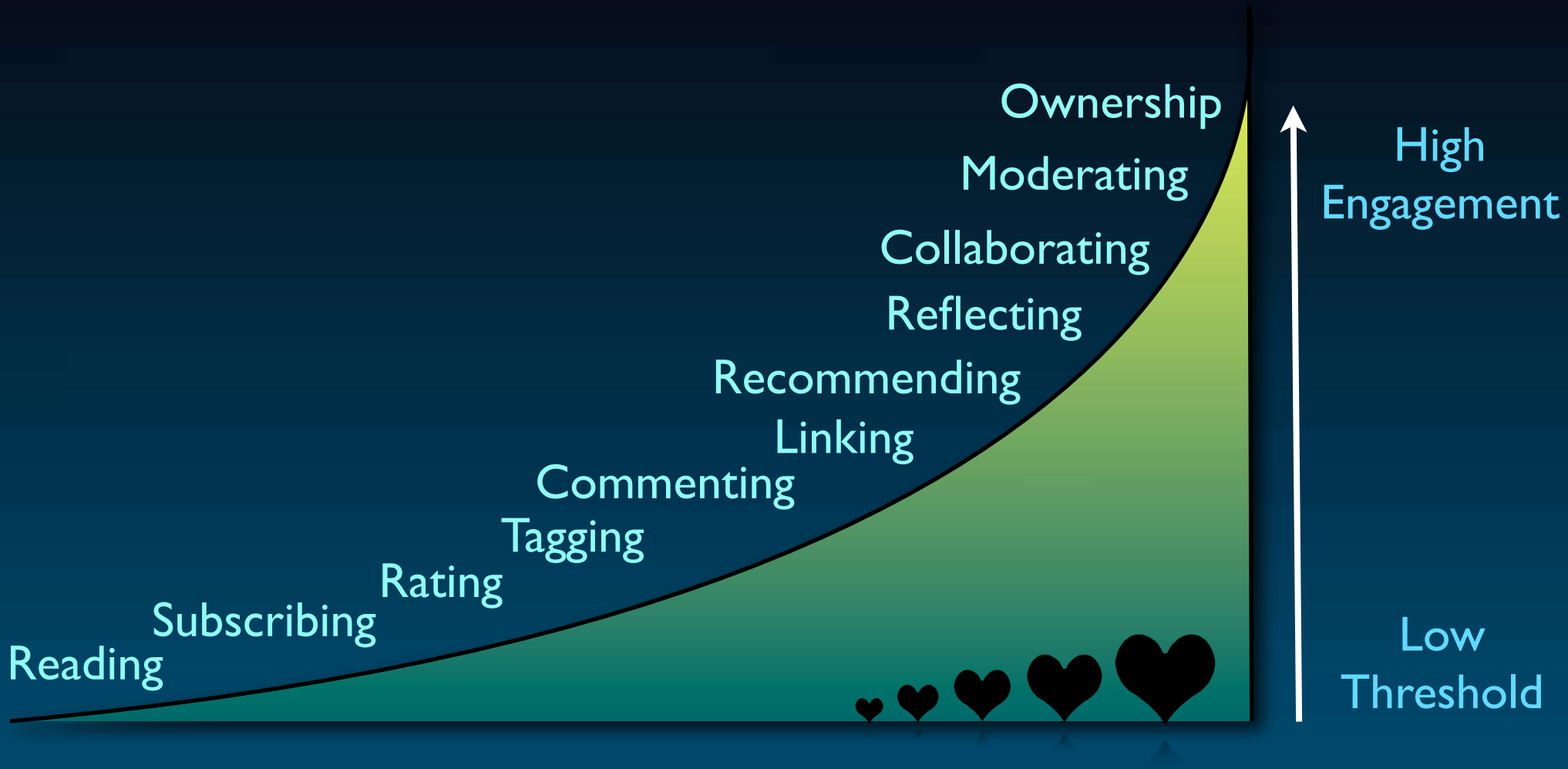
Photo: JJay

Social objects connect people

1. *Define your object*
2. *Define key verb*
3. *Make your objects discoverable*
4. *Turn invitations into gifts*
5. *Charge publishers, not spectators*

Ref: Jyri Engeström

Power Law of Participation

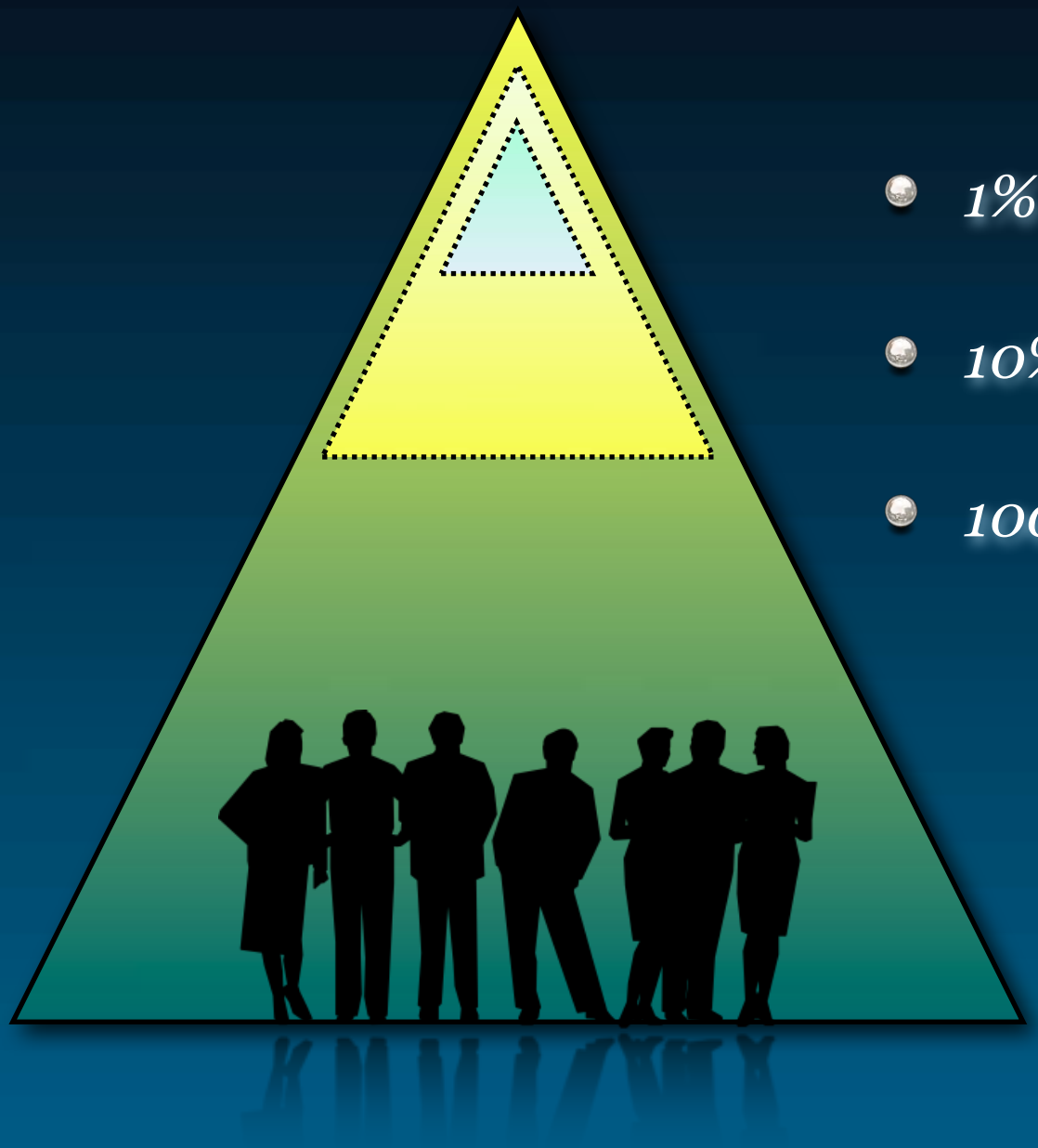


Collective Intelligence
(implicit creation)

Collaborative Intelligence
(explicit creation)

Ref: Teemu Arina, based on Ross Mayfield

Participation Inequality



- *1% creators*
- *10% synthesizers*
- *100% consumers*

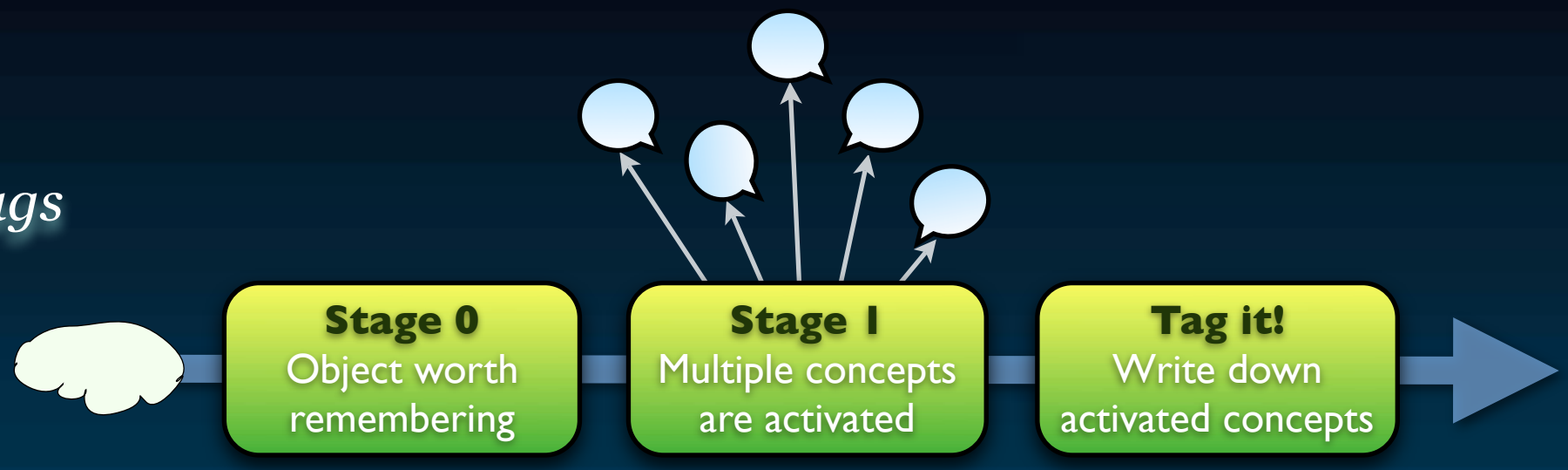
Ref: Bradley Horowitz, Jacob Nielsen

Organize information with tags

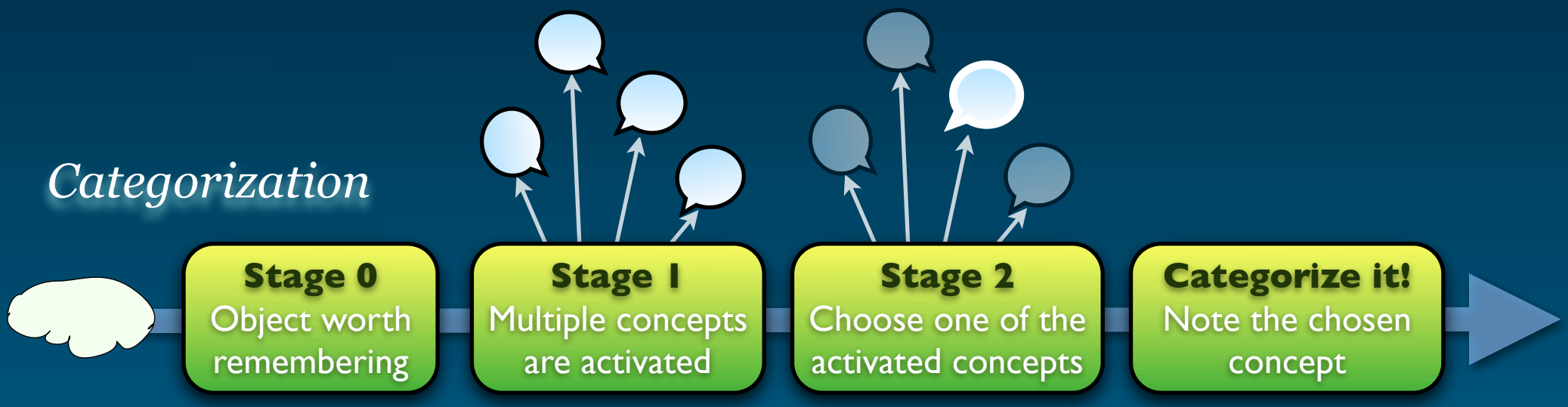
2005 CSS HTML IE7 Standards Web XHTML accessibility animal apache apophysis audio awards backgrounds bauhaus blindtext blog browser browsers brushes butterfly buttons camera cms color colours css del.icio.us design download editor entities exif extension eyecatcher fading film firefox flash folderblog fonts foren forum fractals freeware friends fun gallery games google graphics hdri html icons ie images inspiration internet ioff javascript jobs jokes jowra layout localisation mac mathematics microsoft midi mosaic music nature network opensource passwort patterns photography photos photoshop php plugins programming quiz random raytracing reference rss scite screensavers scripting security sifr smileys standards system:unfiled tags terragen text themes tips tutorial typography unicode urlaub wallpaper webdesign webdev wikipedia wlan wordpress xhtml xml xsl xslt zitate

Cognitive analysis of tagging

Tags



Categorization



Analysis-Paralysis!

Ref: Rashmi Sinha

Recommendations based on user behaviour

Broaden tags with user contributions

Tags customers associate with this product (What's this?)

Click on a tag to find related items, discussions, and people.

Check the boxes next to these popular tags or enter your own tags in the field below

- business (24)
- longtail (10)
- economics (3)
- marketing (15)
- internet marketing (7)
- google (3)
- wired (3)
- internet (13)
- amazon (5)
- long tail (13)
- web 2 dot 0 (5)

› **See all 97 tags...**

Your tags: Add

(Press the 'T' key twice to quickly access the "Tag this product" window.)

Search Products Tagged with GO!

› See most popular Tags

2005 CSS HTML IE7 Standards Web XHTML accessibility animal apache apophysis audio awards backgrounds bauhaus blindtext blog browser browsers brushes butterfly buttons camera cms color colours css del.icio.us design download editor entities exif extension eyecatcher fading film firefox flash folderblog fonts foren forum fractals freeware friends fun gallery games google graphics hdri html icons ie images inspiration internet ioff javascript jobs jokes jowra layout localisation mac mathematics microsoft midi mosaic music nature network opensource passwort patterns photography photos photoshop php plugins programming quiz random raytracing reference rss scite screensavers scripting security sifr smileys standards system:unfiled tags terragen text themes tips tutorial typography unicode urlaub wallpaper webdesign webdev wikipedia wlan wordpress xhtml xml xsl xslt zitate

Get user-generated content that can be aggregated, not just comments

Customer Reviews

144 Reviews

5 star:		(70)
4 star:		(38)
3 star:		(23)
2 star:		(8)
1 star:		(5)

Average Customer Review
★★★★☆ (144 customer reviews)

Most Helpful Customer Reviews

163 of 185 people found the following review helpful:

★★★★☆ **Ties an old familiar statistical graph to current consumer trends**, July 23, 2006

By **calvinnme "Texan refugee"** (Fredericksburg, Va) - See all my reviews

VINE™ VOICE TOP 500 REVIEWER

The long tail is the colloquial name for a long-known feature of statistical distributions that is also known as "heavy tails", "power-law tails" or "Pareto tails". In these distributions a high-frequency or high-amplitude population is followed by a low-frequency or low-amplitude population which gradually "tails off". In many cases the infrequent or low-amplitude events--the long tail--can cumulatively outnumber or outweigh the initial portion of the graph, such that in aggregate they comprise the majority. In this book the author explains how due to changing technology it is now not only feasible but desirable in business to cater to the "long tail" of this curve.

Target advertising based on user interests

Customers viewing this page may be interested in these Sponsored Links (What's this?)

Motivation for Success
www.MadeForSuccess.net ▪ Weekly motivational MP3 audios. Wealth & Success. Only $19.95/month

Business card scanner
www.scanshell-store.com ▪ Business card scanner & software. Scans to Microsoft Outlook $179

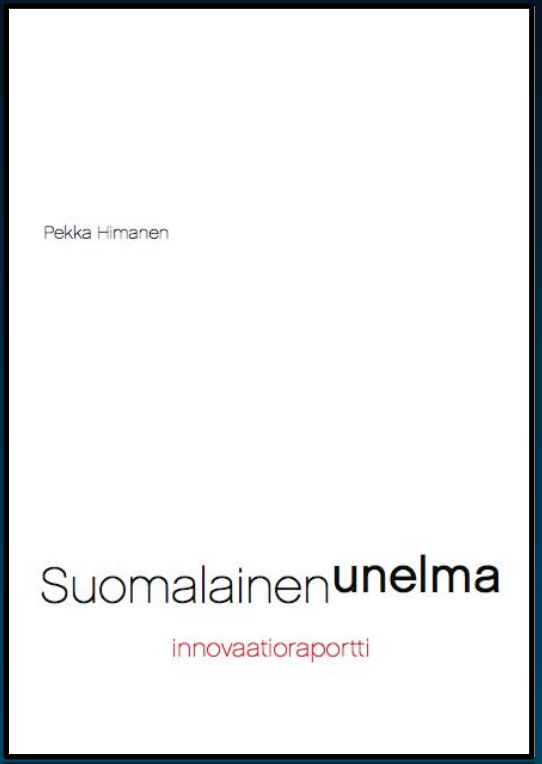
Trade Currency Online
www.Forex.com ▪ Free $50,000 practice account with charts, news, research & analysis.

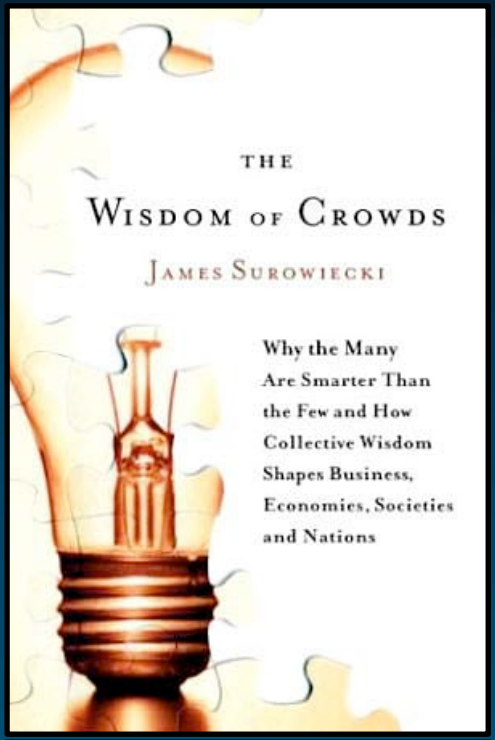
Advertise on Amazon

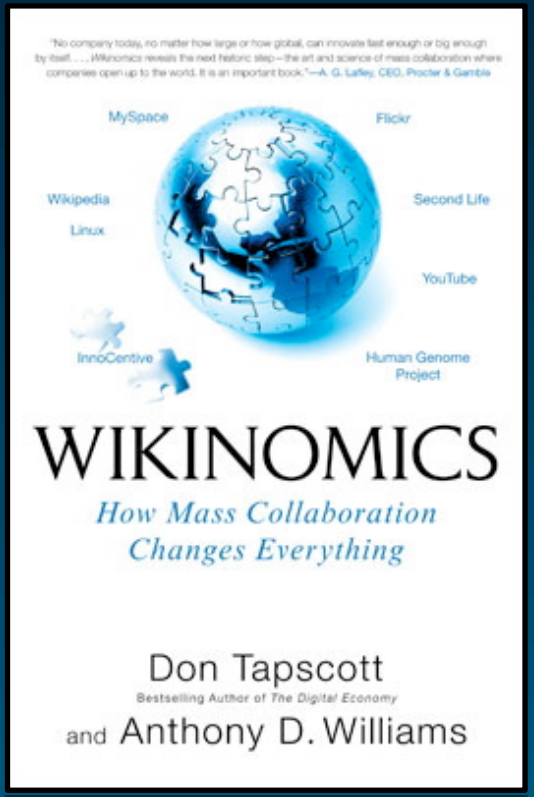
5.
How to be innovative

Photo: Don J. McCrady

Read these


Pekka Himanen
Suomalainen unelma
innovaatioraportti


THE
WISDOM OF CROWDS
JAMES SUROWIECKI
Why the Many Are Smarter Than the Few and How Collective Wisdom Shapes Business, Economies, Societies and Nations


MySpace
Flickr
Wikipedia
Linux
Second Life
YouTube
InnoCentive
Human Genome Project
WIKINOMICS
How Mass Collaboration Changes Everything
Don Tapscott
Bestselling Author of The Digital Economy
and Anthony D. Williams

FOREWORD BY JOHN SEELY BROWN
HENRY CHESBROUGH
OPEN INNOVATION
The New Imperative for Creating and Profiting from Technology
HARVARD BUSINESS SCHOOL PRESS

Then start the engines, fellas

Virtually everything new seems to come from the 20 percent of their time engineers here are expected to spend on side projects. They certainly don't come out of the management team.

Eric Schmidt
Google CEO

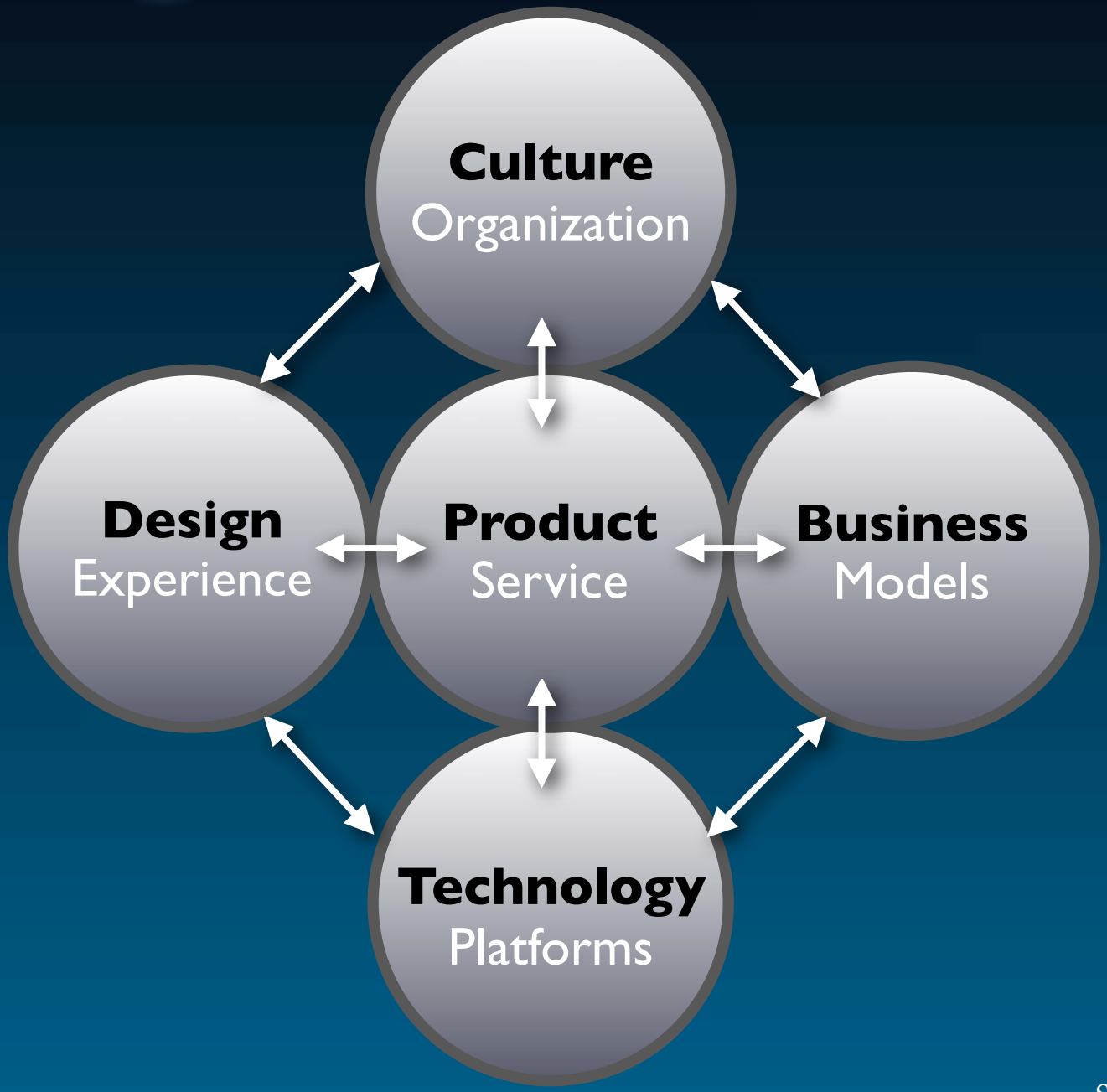
Kuva: GustavoG

Challenge

- Globalization forces organizations to get into innovation-based competition and networking:
  - Get products faster to market
  - Increase ROI of R&D investments
  - Increase transparency of product development
  - Involve customers through open innovation
  - Support continuous learning and knowledge sharing
  - Get into networked collaboration (outsourcing etc.)

Source: Manuel Castells

Ways to innovate



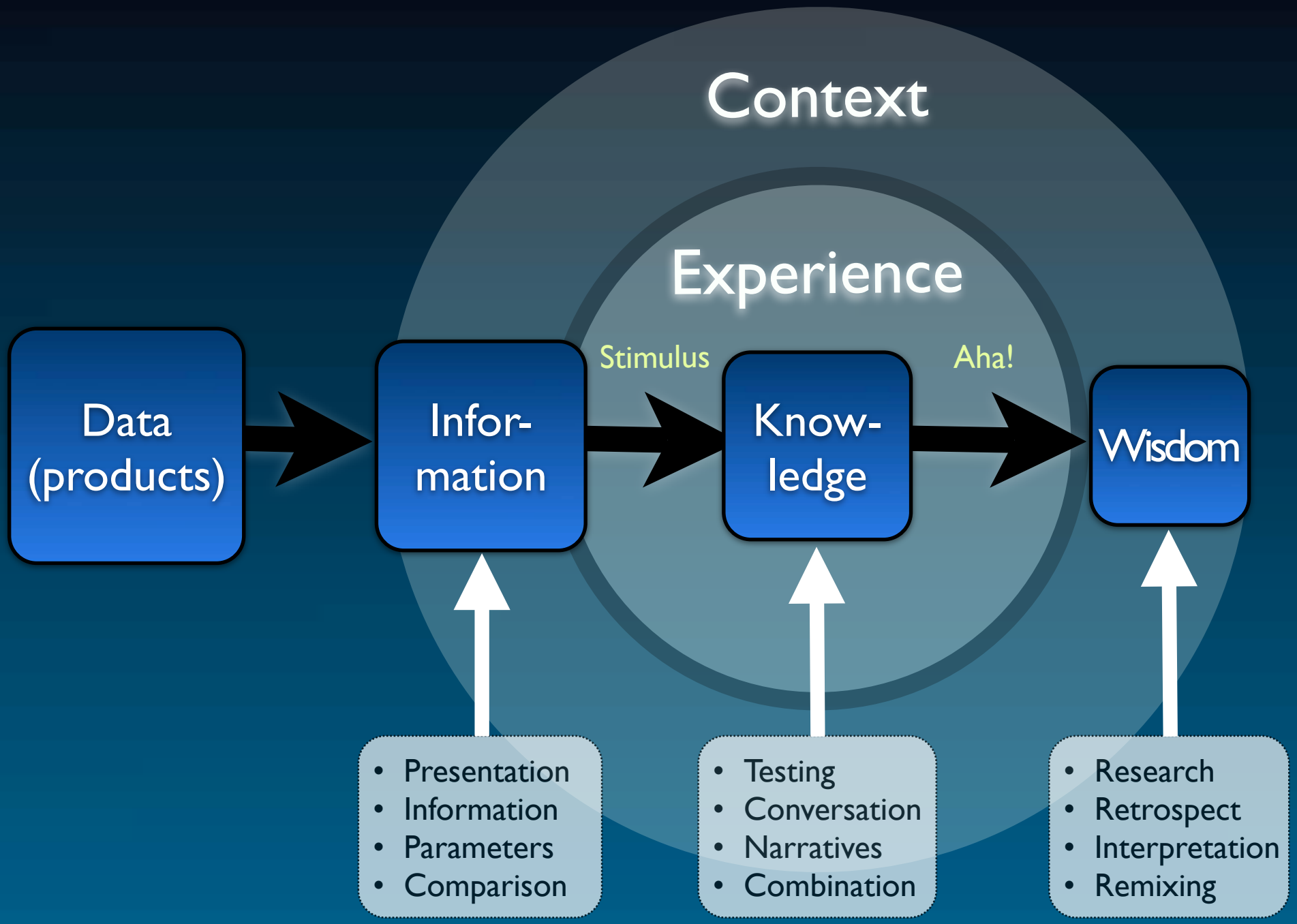
Source: Pekka Himanen

Types of innovation

- Technological innovation
  Remixing old in new ways (mountain bikes) or inventing new technologies
- Business innovation
  Supply chains (Walmart), processes (Toyota), business models (Dell), brands (Nike)
- Product/service innovation
  Products (Skype), marketing (Apple), services (Salesforce.com)
- Design innovation
  Look & feel (Apple), emotion & experience design (Idean)
- Cultural innovation
  Leadership (Linux), organization (Google), transparency (Seismic)

Source: Pekka Himanen

Innovation through experience design



6.
Where is the money?

Photo: Don J. McCrady

New paradigm: Enterprise 2.0

"Enterprise 2.0 is the use of emergent social software platforms within companies, or between companies and their partners or customers."

Andrew McAfee

Kuva: GustavoG

Enterprise 1.0	Enterprise 2.0
Hierarchical organization	Flat organization
Automation in the core	Interaction in the core
Tree representation	Associative representation
Bureaucracy	Agility
Static and rigid	Dynamic and adaptive
IT driven technology	User driven technology
Feature-driven value	User-driven value
Top-down	Bottom-up
Centralized	Distributed
Hand-picked teams	Self-organizing teams
Silos	Open borders
Controlled communication	Transparency
Taxonomies	Folksonomies
Complexity	Simplicity
Closed standards	Open standards

Photo: JJay

Ultimate challenge

In the future, organizations will compete on:

Who can create a rich user community where users interact with each other to improve products

Image: Felippe Torres

Crowdsourcing

Taking a job traditionally performed by an employee or contractor, and outsourcing it to an undefined, generally large group of people

Dell IdeaStorm

Home Community | Ideas IdeaStorm | Blogs Direct2Dell | Videos StudioDell | Discussions Forums

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SUGGESTIONS:

IDEASTORM

WHERE YOUR IDEAS REIGN

The Dell Community has contributed: **8401** ideas | promoted **583219** times | **59975** comments

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Click here to post your ideas for driving cost and complexity out of IT

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PROMOTE... interesting ideas you want to see.

DISCUSS... with Dell and other users.

SEE... what we are planning to develop.

popular ideas | recent ideas | comments | ideas in action

all Ideas

Yesterday

11450

PROMOTE

DEMOTE

Make Ubuntu laptops cheaper than Windows laptops (in all countries)

Linux, Notebooks, Operating Systems, Sales Strategies submitted by a3_nm 09/16/07

When trying to buy an Ubuntu laptop, it appears that for the same hardware specs, the Ubuntu system costs over 100$ more than the Windows system. This is not logical and cannot encourage people to buy an Ubuntu laptop if it is cheaper to buy a Windows one and install Ubuntu over it.

147 Comments »

Search

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Top Contributors

CATEGORIES

all

Accessories (Keyboards, etc.)

Innocentive

INNOCENTIVE

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- Solvers
- Marketplace
  - Physical Sciences
  - Engineering and Design
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  - Math and Computer Science
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Search Challenges: go

Chemistry

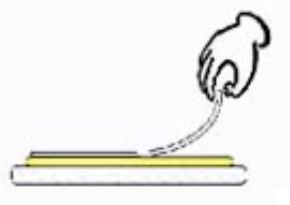
printable version · show summary view

SORT CHALLENGES:

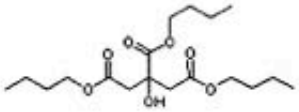
View By Category: All | Sort By: Deadline | List By: Descending

Showing listing for "Chemistry" | 69 Challenges found

INNOCENTIVE 4470259
ALS Biomarker
POSTED: NOV 06, 2006 DEADLINE: NOV 06, 2008 $1,000,000 USD
A biomarker for measuring disease progression in Amyotrophic Lateral Sclerosis (ALS or Lou Gehrig's Disease/ Motorneuron Disease) is needed. Read More



INNOCENTIVE 5550446
Release sheet for product packaging
POSTED: OCT 25, 2007 DEADLINE: FEB 25, 2008 $40,000 USD
A new type of release sheet used between the product and packaging is needed. The amount of product that adheres to the sheet should be consistent and be minimized. Read More



INNOCENTIVE 5521218
Process for Producing Esters in an Economic Fashion
POSTED: OCT 16, 2007 DEADLINE: FEB 16, 2008 $40,000 USD
The challenge is to produce a specific citric acid ester in a faster cycle under current specifications. Read More

Real-Time Economy Community

Private Beta

Logged in as Teemu Arina Logout

Post idea | Settings | Profile | Invite

Ideas, Stories and Challenges | Tools and Services | Knowledge and Research | Networking | Presentations

choose view

- New ideas
- Most promoted ideas
- Best rated ideas
- Featured ideas
- Ideas by contacts
- My ideas

filter by tag

blogs bookkeeping business monitoring cash payment fee challenge conference customer value diffusion digitalization e-invoicing e-invoicing, eu, e-payment discount elderly people electronic book keeping entrepreneur environment eu events idea improving cash-flow interoperability online conferencing payment references rte mindset rte readiness rte technologies rte wisdom sme society at large staircase story technology visualization

most promoted ideas

Visualization of the SME financial situation

January 16, 2008 - Tatu Kuivalahti

Entrepreneurs and management of SME's are often lacking through knowledge of the finance and accounting. They are typically highly professional in their business and services but they haven't had time to study accounting. This is the reason why there is a need for much more powerful online visualization tools for SME key financial figures. The F&A is not rocket science. It is possible to simplify and concretize the key performance indicators for SME's so that the entrepreneur.. Read more

Promote Demote Discuss

60 points, 4 Comments

visualization, electronic book keeping, sme, business monitoring, entrepreneur

Electronic bookkeeping for SMEs?

January 16, 2008 - Teemu Arina

What is the easiest way for a small businesses to switch from paper-based bookkeeping to fully electronic bookkeeping?

The finnish law requires that all invoices/receipts are kept for
books need to be around atleast 10 years. How can a small b
that the books are around such a long period with any chose

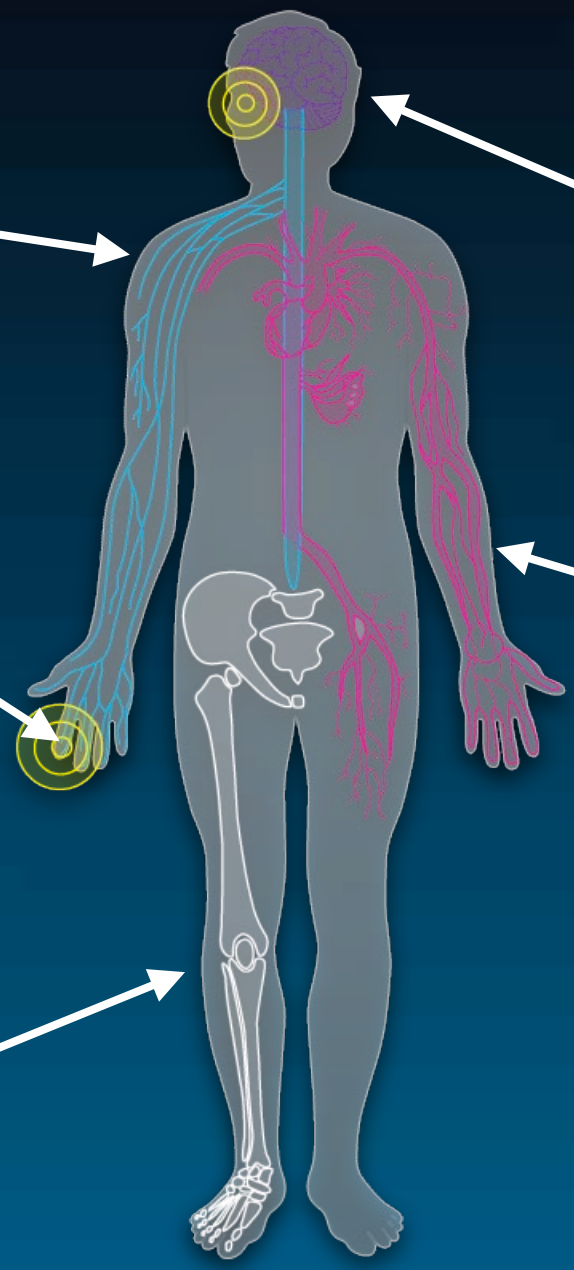
CASE

Anatomy of an Enterprise 2.0

Nervous system
Feeds, Search, APIs - *Sharing, discovering and tapping into reflections*

Brain
Wikis, tagging - Connecting and remixing reflectons

Senses
Blogs, Microblogs, Social bookmarking - *Reflection in and on action*



Blood system
Social networking, Real-time communications, Network analysis - *Optimizing interaction flow*

Skeleton
Automation, Real-time processes, Operative technologies - *Back-bone for business processes*

Ref: Teemu Arina, Illustration: Lotta Viitaniemi

Command & Control

becomes

Collaboration and Communication

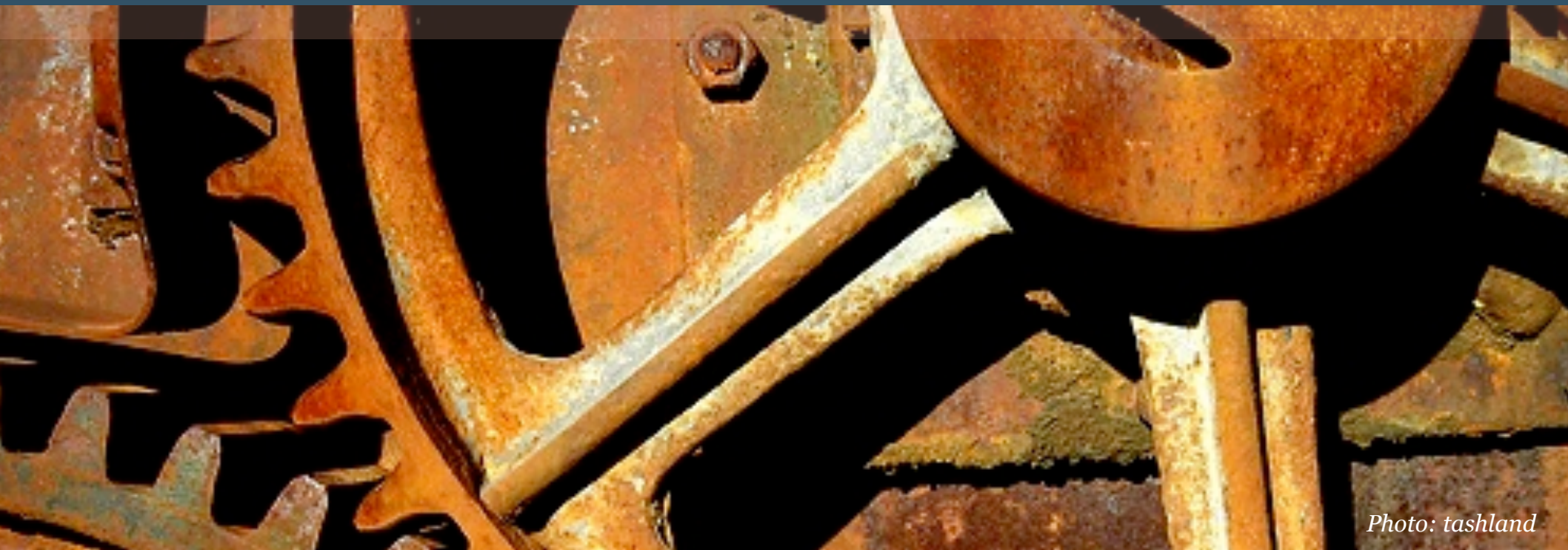


Photo: tashland

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Yritys 2.0 -kirja tulossa!

http://www.yritys20.com

Photo: Tanakawho

Reading

- Naked Conversations: How Blogs are Changing the Way Businesses Talk with Customers (Robert Scoble)
- The Medium is the Message (Marshall McLuhan)
- Complex Responsive Processes in Organizations: Learning and Knowledge Creation (Ralph Stacey)
- The World Is Flat: A Brief History of the Twenty-first Century (Thomas Friedman)
- Informal Learning: Rediscovering the Natural Pathways That Inspire Innovation and Performance (Jay Cross)
- Deschooling Society (Ivan Illich)
- The Innovator's Solution: Creating and Sustaining Successful Growth (Clayton Christensen)
- The Cluetrain Manifesto: The End of Business as Usual (Christopher Locke)
- Convergence Culture: Where Old and New Media Collide (Henry Jenkins)
- The Wealth of Networks: How Social Production Transforms Markets and Freedom (Yochai Benkler)
- Open Business Models: How to Thrive in the New Innovation Landscape (Henry Chesbrough)
- The Long Tail: Why the Future of Business is Selling Less of More (Chris Anderson)
- Wikinomics: How Mass Collaboration Changes Everything (Don Tapscott)
- Seeing What's Next: Using Theories of Innovation to Predict Industry Change (Clayton Christensen)
- Technological Revolutions and Financial Capital: The Dynamics of Bubbles and Golden Ages (Carlota Perez)
- The Social Life of Information (John Seely Brown)
- The Wisdom of Crowds (James Surowiecki)
- Complexity and Innovation in Organizations (Jose Fonseca)

Photo: Tanakawho